

CLINTON CITY  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY DATA

JUNE 30, 2005

CLINTON CITY  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
Clinton City  
Clinton, UT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton City, Utah as of and for the year ended June 30, 2005, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary combining statements described in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated January 20, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 7 and budgetary comparison information on pages 33 through 34 are not a required part of the financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Davis, Chase + Associates*

January 20, 2006

CLINTON CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2005

## INTRODUCTION

The following is a discussion and analysis of Clinton City's financial performance and activities for the fiscal year ending June 30, 2005.

## HIGHLIGHTS

Net assets increased by \$3,345,752. Of this amount, 48% is a result of business-type activities, and 52% is a result of governmental activities. The increase in net assets was mostly due to a strong showing of building permits and fees, higher than expected revenues from sales tax, franchise and telecommunication taxes, impact fees from new development and a Community Development Block Grant.

The City was able to continue improving the roads, parks, and other infrastructure as well as acquiring new police vehicles and other equipment.

The assets of Clinton City exceeded its liabilities at the end of the current fiscal year by \$38,090,481 (net assets). Of this amount, \$4,998,838 (unrestricted net assets) is available to meet ongoing obligations to citizens and creditors.

The City's governmental funds reported combined ending fund balance of \$5,019,518, an increase of \$819,080 compared to the prior years' ending amount. Of the combined total fund balance, \$3,027,203 is available for spending at the discretion of the City (unreserved and undesignated fund balance).

The unreserved and undesignated fund balance of the General Fund at June 30, 2005, totaling \$1,329,102, is 17.4% of the General Fund total revenues for the year and 43.9% of governmental unreserved and undesignated fund balance. The General Fund, also has \$1,301,954 of fund balance reserved for specific purposes that will be carried over into the following fiscal year. The Capital Project Funds have \$2,077,971 of fund balance reserved for specific purposes that will be carried over into the following year.

During the year, total debt for Clinton City decreased by approximately \$167,405.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements includes three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements are comprised of the Statement of Net Assets and the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Assets shows the overall net assets of the City. Increases and decreases in net assets are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Clinton City's business type activities are sewer, water, solid waste and storm water.

## Management's Discussion and Analysis

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types. The two types are Governmental Funds and Proprietary Funds.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Clinton City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and a special revenue fund, both of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Clinton City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Clinton City has four Proprietary Funds. The Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services. The Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Clinton City has four Enterprise Funds, the water fund, the sewer fund, the solid waste fund and the storm water fund. An internal service fund is presented in a separate column in the Proprietary Fund financial statements.

There are several differences between Government-Wide and Fund Statements. Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.

## Management's Discussion and Analysis

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

#### Net Assets

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Government Activities		Business-type Activities		Total	
	June 30 2005	June 30 2004	June 30 2005	June 30 2004	June 30 2005	June 30 2004
Current and other assets	\$ 7,897,167	\$ 7,103,906	\$ 4,339,088	\$ 3,810,244	\$ 12,236,255	\$ 10,914,150
Capital assets	18,169,242	17,449,004	11,607,341	10,473,339	29,776,583	27,922,343
Total assets	26,066,409	24,552,910	15,946,429	14,283,583	42,012,838	38,836,493
Long-term liabilities outstanding	647,000	804,973	-	-	647,000	804,973
Other liabilities	2,965,364	3,032,519	309,993	254,272	3,275,357	3,286,791
Total liabilities	3,612,364	3,837,492	309,993	254,272	3,922,357	4,091,764
Net assets:						
Invested in capital assets, net of related debt	17,364,308	16,476,665	11,607,341	10,473,339	28,971,649	26,950,004
Restricted	1,992,315	1,799,501	2,127,679	1,955,381	4,119,994	3,754,882
Unrestricted	3,097,422	2,439,252	1,901,416	1,600,591	4,998,838	4,039,843
Total net assets	\$ 22,454,045	\$ 20,715,418	\$ 15,636,436	\$ 14,029,311	\$ 38,090,481	\$ 34,744,729

The largest component of the City's net assets, 76%, reflects investments in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 11% of total net assets and are subject to external restrictions on how they may be used. The remaining 13% of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

## Management's Discussion and Analysis

### Governmental Activities and Business Type Activities

#### Changes in Net Assets

	Government Activities		Business-type Activities		Total	
	June 30 2005	June 30 2004	June 30 2005	June 30 2004	June 30 2005	June 30 2004
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,032,082	\$ 2,199,835	\$ 3,370,122	\$ 3,273,610	\$ 5,402,204	\$ 5,473,445
Operating grants and contributions	551,611	689,471	-	-	551,611	689,471
Capital grants and contributions	371,696	100,000	882,726	986,617	1,254,422	1,086,617
General revenues:						
Property taxes	964,224	903,960	-	-	964,224	903,960
Sales taxes	1,653,703	1,384,999	-	-	1,653,703	1,384,999
Other taxes	921,386	702,699	-	-	921,386	702,699
Impact fees	1,047,590	1,012,085	-	-	1,047,590	1,012,085
Interest	100,814	40,450	59,939	29,591	160,753	70,041
Other	71,778	130,948	-	-	71,778	130,948
Transfers	132,725	-	(132,725)	-	-	-
<b>Total revenues</b>	<b>7,847,609</b>	<b>7,164,447</b>	<b>4,180,062</b>	<b>4,289,818</b>	<b>12,027,671</b>	<b>11,454,265</b>
<b>Expenses:</b>						
General government	1,409,829	1,439,502	-	-	1,409,829	1,439,502
Public safety	2,134,134	1,621,119	-	-	2,134,134	1,621,119
Highways and public improvements	1,378,427	1,228,174	-	-	1,378,427	1,228,174
Parks and recreation	1,142,203	1,169,508	-	-	1,142,203	1,169,508
Cemeteries	44,389	58,552	-	-	44,389	58,552
Solid waste	-	-	987,301	968,926	987,301	968,926
Storm water	-	-	172,292	263,084	172,292	263,084
Water	-	-	819,364	792,149	819,364	792,149
Sewer	-	-	593,980	534,908	593,980	534,908
<b>Total expenses</b>	<b>6,108,982</b>	<b>5,516,855</b>	<b>2,572,937</b>	<b>2,559,067</b>	<b>8,681,919</b>	<b>8,075,922</b>
<b>Increase in net assets</b>	<b>1,738,627</b>	<b>1,647,592</b>	<b>1,607,125</b>	<b>1,730,751</b>	<b>3,345,752</b>	<b>3,378,343</b>
<b>Net assets-beginning</b>	<b>20,715,418</b>	<b>19,067,826</b>	<b>14,029,311</b>	<b>12,298,560</b>	<b>34,744,729</b>	<b>31,366,386</b>
<b>Net assets-ending</b>	<b>\$ 22,454,045</b>	<b>\$ 20,715,418</b>	<b>\$ 15,636,436</b>	<b>\$ 14,029,311</b>	<b>\$ 38,090,481</b>	<b>\$ 34,744,729</b>

#### Governmental Activities

The activities in the governmental funds resulted in an increase in net assets of \$1,738,627 for the year.

## Management's Discussion and Analysis

### Business-Type Activities

The business-type activities increased net assets by \$1,607,125. The sewer, water, solid waste and storm water enterprise funds are generating sufficient revenue to cover operating costs. The majority of the increase was a result of recording capital contributions from subdivision developers for the estimated cost of infrastructure put in by the developers and then turned over to the City.

### Capital Assets

Clinton City added \$1,513,648 in new capital assets in governmental activities during the fiscal year. The following assets were acquired or constructed: Equipment \$260,168; Infrastructure \$932,219; and Improvements \$321,261.

### Fund Balances

The fund balance in the General Fund decreased by \$(434,965). The fund balances in the other Governmental Funds increased by \$1,254,045. The Net Assets in the Enterprise Funds increased by \$1,579,052.

### Long-Term Debt

The City currently owes \$769,000 on General Obligation Refunding Bonds Series August 15, 2003. \$122,000 of the debt will be paid in the current year with \$647,000 remaining in Long-Term debt.

### General Fund Budgets

Clinton City prepares its budget according to state statutes. The General Fund Budget was adjusted during the year.

Actual General Fund revenues were \$1,174,887 above the original budget and \$933,154 above the final adjusted budget. Actual General Fund expenses before transfers were \$394,292 below the original budget and \$885,449 below the final adjusted budget.

### ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Clinton City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the City's finances should be addressed to Clinton City, 1906 West 1800 North, Clinton City, Utah 84015.

CLINTON CITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,273,998	\$ 1,702,059	\$ 4,976,057
Restricted cash	1,992,315	2,140,027	4,132,342
Accounts receivable	167,136	360,526	527,662
Due from other governmental units	1,373,939	-	1,373,939
Notes receivable	1,119,652	-	1,119,652
Prepaid expenses	-	106,603	106,603
Internal balances	(29,873)	29,873	-
Capital assets (net of accumulated depreciation):			
Land	1,135,837	4,586	1,140,423
Infrastructure	8,085,394	-	8,085,394
Buildings	1,328,391	-	1,328,391
Improvements	6,931,798	11,532,923	18,464,721
Machinery and equipment	687,822	66,732	754,554
Water rights	-	3,100	3,100
<b>TOTAL ASSETS</b>	<b>26,066,409</b>	<b>15,946,429</b>	<b>42,012,838</b>
<b>LIABILITIES</b>			
Accounts payable	420,570	108,656	529,226
Accounts payable - Coalition funds	-	12,348	12,348
Deposits	112,000	188,989	300,989
Compensated absences	164,404	-	164,404
Deferred revenue	2,110,456	-	2,110,456
Non-current liabilities:			
Due within one year	157,934	-	157,934
Due in more than one year	647,000	-	647,000
<b>TOTAL LIABILITIES</b>	<b>3,612,364</b>	<b>309,993</b>	<b>3,922,357</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	17,364,308	11,607,341	28,971,649
Restricted for:			
Perpetual care	194,472	-	194,472
Transportation impact fees	720,772	-	720,772
Fire and EMS impact fees	138,677	-	138,677
Parks impact fees	642,051	-	642,051
Police facilities impact fees	296,343	-	296,343
Utility impact fees	-	2,127,679	2,127,679
Unrestricted	3,097,422	1,901,416	4,998,838
<b>TOTAL NET ASSETS</b>	<b>\$ 22,454,045</b>	<b>\$ 15,636,436</b>	<b>\$ 38,090,481</b>

The accompanying notes are an integral part of these statements.

## CLINTON CITY

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 1,409,829	\$ 1,316,707	\$ 11,453	\$ -	\$ (81,669)	\$ (81,669)
Public safety	2,134,134	411,289	90,541	51,196	(1,581,108)	(1,581,108)
Highways and public improvements	1,378,427	21,532	449,617	320,500	(586,778)	(586,778)
Parks and recreation	1,142,203	255,165	-	-	(887,038)	(887,038)
Cemeteries	44,389	27,389	-	-	(17,000)	(17,000)
Total governmental activities	6,108,982	2,032,082	551,611	371,696	(3,153,593)	(3,153,593)
Business-type activities:						
Water	819,364	1,045,659	-	265,314	-	491,609
Sewer	593,980	583,875	-	251,949	-	241,844
Solid waste	987,301	1,018,695	-	-	-	31,394
Storm water	172,292	721,893	-	365,463	-	915,064
Total business-type activities	2,572,937	3,370,122	-	882,726	-	1,679,911
Total primary government	\$ 8,681,919	\$ 5,402,204	\$ 551,611	\$ 1,254,422	(3,153,593)	(1,473,682)
General revenues:						
Property taxes					964,224	964,224
Sales taxes					1,653,703	1,653,703
Franchise taxes					741,665	741,665
Fees-in-lieu of taxes					179,721	179,721
Special revenues					1,047,590	1,047,590
Miscellaneous					71,778	71,778
Interest earnings					100,814	160,753
Transfers					132,725	(132,725)
Total general revenues and transfers					4,892,220	4,819,434
Change in net assets					1,738,627	1,607,125
Net assets - beginning					20,715,418	14,029,311
Net assets - ending					\$ 22,454,045	\$ 15,636,436
					\$ 38,090,481	\$ 38,090,481

The accompanying notes are an integral part of these statements.

CLINTON CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General Fund	Capital Project Fund Land Acquisition	Special Revenue Fund HUD Grant
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,284,190	\$ 1,335,498	\$ -
Restricted cash	1,301,954	-	-
Notes - receivable	-	-	1,119,652
Accounts receivable	167,136	-	-
Due from other governmental units	1,373,939	-	-
Total assets	<u>\$ 4,127,219</u>	<u>\$ 1,335,498</u>	<u>\$ 1,119,652</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 393,359	\$ -	\$ -
Retainage payable	-	-	-
Customer deposits	112,000	-	-
Deferred revenues	990,804	-	1,119,652
Total liabilities	<u>1,496,163</u>	<u>-</u>	<u>1,119,652</u>
<b>Fund balances:</b>			
Reserved for:			
Perpetual care	-	-	-
Park impact fees	146,162	-	-
Transportation impact fees	720,772	-	-
Fire and EMS impact fees	138,677	-	-
Police facilities impact fees	296,343	-	-
Unreserved, reported in:			
General fund	1,329,102	-	-
Capital projects funds	-	1,335,498	-
Special revenue - RDA	-	-	-
Total fund balances	<u>2,631,056</u>	<u>1,335,498</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 4,127,219</u>	<u>\$ 1,335,498</u>	<u>\$ 1,119,652</u>

The accompanying notes are an integral part of these statements.

Other Governmental Funds	Total Governmental Funds
\$ 389,814	\$ 3,009,502
690,361	1,992,315
-	1,119,652
-	167,136
-	1,373,939
<u>\$ 1,080,175</u>	<u>\$ 7,662,544</u>
\$ -	\$ 393,359
27,211	27,211
-	112,000
-	2,110,456
<u>27,211</u>	<u>2,643,026</u>
194,472	194,472
495,889	642,051
-	720,772
-	138,677
-	296,343
-	-
-	1,329,102
246,584	1,582,082
116,019	116,019
<u>1,052,964</u>	<u>5,019,518</u>
<u>\$ 1,080,175</u>	<u>\$ 7,662,544</u>

CLINTON CITY  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005

Total fund balances - governmental funds:	\$ 5,019,518
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Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported in the  
funds.

Land	\$ 1,135,837	
Infrastructure	11,611,059	
Buildings	2,020,661	
Improvements	9,594,962	
Machinery and equipment	424,895	
Accumulated depreciation	<u>(7,207,282)</u>	
		17,580,132

Internal service funds are used by management to charge the  
costs of fleet management to individual funds. The assets  
and liabilities of the internal service fund are included in  
governmental activities in the Statement of Net Assets.

817,672

Less: Internal payable representing charges in excess of  
cost to business type activities.

Prior years	(1,800)	
Current year	<u>(28,073)</u>	
		787,799

Long-term liabilities, including compensated absences are not  
due and payable in the current period and therefore are not  
reported in the governmental funds, but they are reported in  
the Statement of Net Assets.

Bonds payable	(769,000)	
Compensated absences	<u>(164,404)</u>	
		<u>(933,404)</u>

Net assets of governmental activities	<u>\$ 22,454,045</u>
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The accompanying notes are an integral part of these statements.

CLINTON CITY  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Capital Project Fund Land Acquisition	Special Revenue Fund HUD Grant
<b>REVENUES</b>			
Taxes			
Property taxes	\$ 938,799	\$ -	\$ -
Sales taxes	1,653,703	-	-
Franchise taxes	741,665	-	-
Fees-in-lieu of taxes	179,721	-	-
Licenses and permits	903,243	-	-
Intergovernmental	923,307	-	-
Charges for services	855,536	-	-
Fines and forfeitures	259,275	-	-
Miscellaneous revenue	128,210	21,787	-
Special revenues	1,047,590	-	-
Total revenues	<u>7,631,049</u>	<u>21,787</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,281,580	-	-
Public safety	2,207,675	-	-
Highways and public improvements	1,219,400	-	-
Parks and recreation	1,142,789	-	-
Cemeteries	45,639	-	-
Debt service			
Principal	116,000	-	-
Interest and fees	24,711	-	-
Capital outlay			
Capital projects	-	40,674	-
Total expenditures	<u>6,037,794</u>	<u>40,674</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,593,255</u>	<u>(18,887)</u>	<u>-</u>
<b>Other financing sources (uses)</b>			
Transfers in	2,000	833,000	-
Transfers out	(2,030,220)	-	-
Total other financing sources and uses	<u>(2,028,220)</u>	<u>833,000</u>	<u>-</u>
Net change in fund balances	(434,965)	814,113	-
Fund balances - beginning of year	3,066,021	521,385	-
Fund balances - end of year	<u>\$ 2,631,056</u>	<u>\$ 1,335,498</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 25,425	\$ 964,224
-	1,653,703
-	741,665
-	179,721
-	903,243
-	923,307
14,028	869,564
-	259,275
17,268	167,265
-	1,047,590
<u>56,721</u>	<u>7,709,557</u>
-	1,281,580
-	2,207,675
-	1,219,400
-	1,142,789
-	45,639
-	116,000
-	24,711
<u>944,734</u>	<u>985,408</u>
<u>944,734</u>	<u>7,023,202</u>
<u>(888,013)</u>	<u>686,355</u>
1,387,445	2,222,445
(59,500)	(2,089,720)
<u>1,327,945</u>	<u>132,725</u>
439,932	819,080
<u>613,032</u>	<u>4,200,438</u>
<u>\$ 1,052,964</u>	<u>\$ 5,019,518</u>

CLINTON CITY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

Amounts reported for governmental activities in the Statement of  
Activities are different because:

Net changes in fund balances - total governmental funds	\$	819,080
---	----	---------

Governmental funds report capital outlays as expenditures.  
However, in the Statement of Activities the cost of those  
assets is allocated over their estimated useful lives and  
reported as depreciation expense. This is the amount by  
which depreciation exceeded capital outlays in the current  
period.

Capital outlays	\$	1,304,676	
Depreciation expense		(595,801)	
			708,875

Internal Service Funds are used by management to charge the costs of fleet management to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.	101,471
--	---------

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.	116,000
---	---------

Some expenses reported in the Statement of Activities do not require use of current financial resources and therefore, are not reported as expenditures in governmental funds.	(6,799)
--	---------

Change in net assets of governmental activities	\$	1,738,627
---	----	-----------

The accompanying notes are an integral part of these statements.

CLINTON CITY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water	Total	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 1,072,242	\$ 221,664	\$ 362,699	\$ 45,454	\$ 1,702,059	\$ 264,496
Accounts receivable	174,895	56,746	109,655	19,230	360,526	-
Prepaid water	106,603	-	-	-	106,603	-
Total current assets	1,353,740	278,410	472,354	64,684	2,169,188	264,496
Noncurrent assets:						
Restricted cash and cash equivalents	594,436	640,541	-	905,050	2,140,027	-
Fixed assets	7,762,977	3,307,625	307,143	3,610,750	14,988,495	2,452,644
Less: Accumulated depreciation	(1,929,146)	(643,804)	(244,152)	(564,052)	(3,381,154)	(1,863,534)
Total noncurrent assets	6,428,267	3,304,362	62,991	3,951,748	13,747,368	589,110
Total assets	7,782,007	3,582,772	535,345	4,016,432	15,916,556	853,606
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	83,826	24,830	-	-	108,656	-
Account payable - coalition funds	-	-	-	12,348	12,348	-
Capital leases - payable	-	-	-	-	-	35,934
Deposits	188,989	-	-	-	188,989	-
Total liabilities	272,815	24,830	-	12,348	309,993	35,934
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	5,833,831	2,663,821	62,991	3,046,698	11,607,341	553,176
Restricted - Impact fees	594,436	640,541	-	892,702	2,127,679	-
Unrestricted	1,080,925	253,580	472,354	64,684	1,871,543	264,496
Total net assets	\$ 7,509,192	\$ 3,557,942	\$ 535,345	\$ 4,004,084	15,606,563	\$ 817,672
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					29,873	
Net assets of business-type activities					\$ 15,636,436	

The accompanying notes are an integral part of these statements.

CLINTON CITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water	Total	
<b><u>OPERATING REVENUE</u></b>						
Charges for service	\$ 774,707	\$ 546,098	\$ 1,018,695	\$ 186,199	\$ 2,525,699	\$ 670,980
Impact fees	171,974	-	-	532,209	704,183	-
Other	98,978	37,777	-	3,485	140,240	70
Total operating revenue	1,045,659	583,875	1,018,695	721,893	3,370,122	671,050
<b><u>OPERATING EXPENSES</u></b>						
Operation and maintenance	118,577	18,655	46,401	14,931	198,564	-
Sewage treatment	-	372,141	-	-	372,141	-
Source of supply	204,718	-	-	-	204,718	-
Depreciation	164,530	65,070	16,379	65,817	311,796	197,610
General expense	106,445	24,611	55,222	26,612	212,890	-
Salaries	114,573	43,202	17,773	33,711	209,259	67,262
Employee benefits	63,270	18,032	9,461	16,381	107,144	23,880
Waste collection	-	-	218,677	-	218,677	-
Waste disposal	-	-	613,813	-	613,813	-
Vehicle operation	57,934	64,193	11,687	18,194	152,008	252,807
Total operating expenses	830,047	605,904	989,413	175,646	2,601,010	541,559
Operating income (loss)	215,612	(22,029)	29,282	546,247	769,112	129,491
<b><u>NONOPERATING REVENUE (EXPENSES)</u></b>						
Interest revenue	33,565	9,725	14,240	2,409	59,939	5,327
Interest expense	-	-	-	-	-	(5,274)
Total nonoperating revenue	33,565	9,725	14,240	2,409	59,939	53
Income (loss) before contributions	249,177	(12,304)	43,522	548,656	829,051	129,544
Transfers in (out)	(64,900)	(44,600)	-	(23,225)	(132,725)	-
Capital contributions	265,314	251,949	-	365,463	882,726	-
Change in net assets	449,591	195,045	43,522	890,894	1,579,052	129,544
Net assets - beginning	7,059,601	3,362,897	491,823	3,113,190		688,128
Net assets - ending	<u>\$ 7,509,192</u>	<u>\$ 3,557,942</u>	<u>\$ 535,345</u>	<u>\$ 4,004,084</u>		<u>\$ 817,672</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					28,073	
Changes in net assets of business-type activities					<u>\$ 1,607,125</u>	

The accompanying notes are an integral part of these statements.

CLINTON CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Solid Waste	Storm Water	Total	Internal Service Fund
<b>Cash Flows From Operating Activities</b>						
Receipts from customers	\$ 902,083	\$ 584,700	\$1,024,651	\$ 201,909	\$ 2,713,343	\$ 70
Payments to employees	(114,573)	(43,202)	(17,773)	(33,711)	(209,259)	(67,262)
Payments to suppliers	(389,095)	(393,946)	(888,352)	(30,932)	(1,702,325)	(276,687)
Payments for interfund services used	(164,379)	(88,804)	(66,909)	(44,806)	(364,898)	670,980
Receipts for impact fees	171,974	-	-	532,209	704,183	-
Net cash provided (used) by operating activities	406,010	58,748	51,617	624,669	1,141,044	327,101
<b>Cash Flows From Noncapital Financing Activities</b>						
Transfers to other funds	(64,900)	(44,600)	-	(23,225)	(132,725)	-
Net cash provided (used) by noncapital financing activities	(64,900)	(44,600)	-	(23,225)	(132,725)	-
<b>Cash Flows From Capital and Related Financing Activities</b>						
Grants	-	-	-	-	-	-
Principal paid on capital debt	-	-	-	-	-	(51,406)
Interest paid on capital debt	-	-	-	-	-	(5,274)
Purchases of capital assets	(171,791)	(85,187)	(31,565)	(274,907)	(563,450)	(208,972)
Net cash provided (used) by capital and related financing activities	(171,791)	(85,187)	(31,565)	(274,907)	(563,450)	(265,652)
<b>Cash Flows From Investing Activities</b>						
Interest and dividends received	33,565	9,725	14,240	2,409	59,939	5,327
Net cash provided (used) by investing activities	33,565	9,725	14,240	2,409	59,939	5,327
Net increase (decrease) in cash and cash equivalents	202,884	(61,314)	34,292	328,946	504,808	66,776
Cash and cash equivalents, July 1	1,463,794	923,519	328,407	621,558	3,337,278	197,720
Cash and cash equivalents, June 30	<u>\$1,666,678</u>	<u>\$ 862,205</u>	<u>\$ 362,699</u>	<u>\$ 950,504</u>	<u>\$ 3,842,086</u>	<u>\$ 264,496</u>

The accompanying notes are an integral part of these statements.

CLINTON CITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Enterprise Funds					Governmental
	Water	Sewer	Solid Waste	Storm Water	Total	Activities Internal Service Fund
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 215,612	\$ (22,029)	\$ 29,282	\$ 546,247	\$ 769,112	\$ 129,491
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	164,530	65,070	16,379	65,817	311,796	197,610
(Increase) decrease in prepaid expense	(8,488)	-	-	-	(8,488)	-
(Increase) decrease in accounts receivable	5,864	825	5,956	(123)	12,522	-
Increase (decrease) in accounts payable	5,959	14,882	-	12,728	33,569	-
Increase (decrease) in deposits	22,533	-	-	-	22,533	-
Total adjustments	190,398	80,777	22,335	78,422	371,932	197,610
Net cash provided (used) by operating activities	<u>\$ 406,010</u>	<u>\$ 58,748</u>	<u>\$ 51,617</u>	<u>\$ 624,669</u>	<u>\$ 1,141,044</u>	<u>\$ 327,101</u>
<b>Noncash Investing, Capital and Financing Activities:</b>						
Contributed capital assets from developers	<u>\$ 265,314</u>	<u>\$ 251,949</u>	<u>\$ -</u>	<u>\$ 365,463</u>	<u>\$ 882,726</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Clinton City, Utah conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The City has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

**A. Reporting Entity**

Clinton City was incorporated in the State of Utah. The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: Public safety, public utilities, highways and streets, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the following:

1. The primary government
2. Organizations for which the primary government is financially accountable
3. Other organizations that, because of the nature and significance of their relationship with the primary government, exclusion from the reporting entity would render the financial statements misleading or incomplete.

Blended component units, although legally separate entities, are in substance part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds. The City has the following component units.

On June 9, 1992, the City adopted an ordinance creating the Clinton City Redevelopment Agency and designating the City Council of Clinton as the governing body of the Agency. The Redevelopment Agency is accounted for as a special revenue fund.

**B. Government-wide and Fund Financial Statements**

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-wide and Fund Financial Statements (Continued)**

***Government-wide Financial Statements***

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

***Fund Financial Statements***

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Statements are provided for *governmental funds* and for *proprietary funds*. For governmental and proprietary funds, the emphasis is on *major funds*, with each displayed in a separate column.

The City reports the following major governmental funds:

**General Fund** - This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

**Special Revenue Fund** This fund accounts for financial resources to be used for a specific purposes.

**Capital Projects Fund** This fund accounts for funds to be used for land acquisition and improvements.

The City reports the following major proprietary funds:

**Sewer Fund** - The sewer fund is used to account for operations of the sewer system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-wide and Fund Financial Statements (Continued)**

**Water Fund -** The water fund is used to account for operations of the water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Solid Waste Fund -** The solid waste fund is used to account for operations of the solid waste system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Storm Water Fund -** The storm water fund is used to account for operations of the storm water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the City reports the following fund type:

**Internal Service Fund -** The internal service fund is used to account for the operating costs of vehicles and equipment charged to the other departments or funds. The internal service fund primarily benefits the governmental funds and is included as part of governmental-type activities in the government-wide financial statements. The net profit or loss on the internal service fund operations is allocated to the functions that benefited from the goods or services provided on the basis of their proportionate benefit. This technique is commonly known as the look-back approach to internal service fund consolidations on the government-wide financial statements.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

The City has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Accordingly, the City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Consequently, the City does not apply FASB pronouncements issued after November 30, 1989.

**D. Assets, Liabilities, and Fund Balances/Net Assets**

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

***Pooled Cash and Temporary Investments***

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the City Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The City Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

***Inventories***

No significant inventories are maintained by the City, therefore none are reflected in these statements.

***Restricted Assets***

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

***Capital Assets***

General capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures.

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Fund Balances/Net Assets (Continued)**

Capital assets are reported in the governmental column in the government-wide financial statements. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed are capitalized. The City currently has infrastructure assets recorded.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30-50 years
Improvements	10-50 years
Equipment	5-10 years
Infrastructure	25-50 years

***Long-term Obligations***

In the government-wide statements, long-term debt obligations are reported as liabilities.

The face amount of debt issued is reported as other financing sources in the governmental fund financial statements.

***Net Assets/Fund Balances***

The difference between assets and liabilities is *net assets* on the government-wide statements, and *fund balance* on the governmental fund statements.

In the governmental fund statements, fund balances are classified as reserved or unreserved. Reserves represent those portions of fund balance that are not available for expenditures or are legally segregated for a specific future use. Unreserved fund balances are available for future appropriation, though some portions may be designated to represent management's tentative plans for specific future uses.

**E. Revenues and Expenditures**

The following are the City's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

***Revenue Availability***

Under the modified accrual basis of accounting, revenues are considered to be "available" when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Revenues and Expenditures (Continued)**

Statement of Governmental Accounting Standards (SGAS) No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a non-exchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange." For property taxes, at January 1 of each year (the assessment date), the City has the legal right to collect the taxes, and in accordance with the provisions of the new statement, has now recorded a receivable and a corresponding deferred revenue for the assessed amount of those property taxes as of January 1, 2005.

***Expenditure Recognition***

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

**F. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds except for the HUD Grant Special Revenue Fund which had no projected activity for the current year. All annual appropriations lapse at the fiscal year end. Encumbrance accounting is not used by the City.

**Summary of City Budget Procedures and Calendar**

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. Budgets are required by the State of Utah for both the General and Special Revenue Funds.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.
4. The City's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the Council after the public hearing.

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Budgets and Budgetary Accounting (Continued)**

**Summary of City Budget Procedures and Calendar (Continued)**

9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.
11. In connection with budget adoption:
  - a. An annual tax ordinance establishing the property tax rate is adopted before June 22.
  - b. The City Treasurer is to certify the property tax rate to the County Auditor before June 22.
12. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**Summary of Action Required for Budget Changes:**

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution.

Fund budgets may be increased by resolution after a public hearing.

**Current Year Excess of Expenditures Over Appropriations:**

For the year ended June 30, 2005, expenditures did not exceed appropriations in any department.

**G. Contributions**

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

**H. Compensated Absences**

City policy provides for vested or accumulated vacation leave. All compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**I. Use of Estimates**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Restrictive Resources**

The City's policy is to use restricted resources first to fund appropriations when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

The City's deposits are carried at cost.

At June 30, 2005, the carrying amount of the City's deposits was \$522,594 and the bank balance was \$881,987. Of the bank balance, \$200,000 was covered by federal depository insurance.

**B. Investments**

At year-end investments consist of funds in the Utah Public Treasurer's Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

Investments not subject to categorizations:

	Carrying Amount	Market Value
Utah Public Treasurer's Investment Fund	\$ 8,584,568	\$ 8,585,890

**C. Summary**

	Carrying Amount
Petty cash	\$ 1,237
Deposits	522,594
Investment in Utah Public Treasurer's Investment Fund	8,584,568
Total deposits and investments	<u>\$ 9,108,399</u>
Equity in pooled cash and investments	\$ 4,976,057
Restricted cash - storm water	905,050
Restricted cash - water fund	594,436
Restricted cash - sewer	640,541
Restricted cash - general fund	1,301,954
Restricted cash - capital projects	495,889
Restricted cash - cemetery	194,472
Total deposits and investments	<u>\$ 9,108,399</u>

**D. Custodial Credit Risk**

Deposits and investments for Clinton City are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**D. Custodial Credit Risk (Continued)**

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2005, were \$881,987, of which \$200,000 were insured.

*Investments.* Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments.

**E. Credit Risk**

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. Government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

**F. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**G. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF.

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2005, was as follows:

	Balance June 30, 2004	Additions	(Deletions)	Balance June 30, 2005
<b>PRIMARY GOVERNMENT</b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
Nondepreciated Assets				
Land	\$ 1,135,837	\$ -	\$ -	\$ 1,135,837
Total nondepreciated assets	1,135,837	-	-	1,135,837
Depreciated Assets				
Internal service	2,243,672	208,972	-	2,452,644
Infrastructure	10,678,840	932,219	-	11,611,059
Improvements-nonbuilding	9,273,701	321,261	-	9,594,962
Machinery and equipment	373,699	51,196	-	424,895
Buildings	2,020,661	-	-	2,020,661
Total depreciated assets	24,590,573	1,513,648	-	26,104,221
Less accumulated depreciation				
Internal service	(1,665,925)	(197,609)	-	(1,863,534)
Infrastructure	(3,069,801)	(455,864)	-	(3,525,665)
Buildings	(641,753)	(50,517)	-	(692,270)
Machinery and equipment	(292,081)	(34,102)	-	(326,183)
Improvements	(2,607,846)	(55,318)	-	(2,663,164)
Total accumulated depreciation	(8,277,406)	(793,410)	-	(9,070,816)
Net assets depreciated	16,313,167	720,238	-	17,033,405
Governmental activities capital assets, net	\$ 17,449,004	\$ 720,238	\$ -	\$ 18,169,242
<b>BUSINESS-TYPE ACTIVITIES</b>				
Nondepreciated Assets				
Land	\$ 4,586	\$ -	\$ -	\$ 4,586
Water rights	3,100	-	-	3,100
Total nondepreciated assets	7,686	-	-	7,686
Depreciated Assets				
Solid waste	275,578	31,565	-	307,143
Water system	7,242,886	437,106	-	7,679,992
Water equipment	75,299	-	-	75,299
Sewer system	2,953,500	337,136	-	3,290,636
Sewer equipment	16,989	-	-	16,989
Storm water improvements	2,970,760	639,990	-	3,610,750
Total depreciated assets	13,535,012	1,445,797	-	14,980,809

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 3 - CAPITAL ASSETS (CONTINUED)**

	Balance June 30, 2004	Additions	(Deletions)	Balance June 30, 2005
<b>BUSINESS-TYPE ACTIVITIES (CONTINUED)</b>				
Less accumulated depreciation				
Solid waste	\$ (227,773)	\$ (16,379)	\$ -	\$ (244,152)
Water system	(1,764,617)	(164,529)	-	(1,929,146)
Sewer system	(578,734)	(65,070)	-	(643,804)
Storm water improvements	(498,235)	(65,817)	-	(564,052)
Total	<u>(3,069,359)</u>	<u>(311,795)</u>	<u>-</u>	<u>(3,381,154)</u>
Net assets depreciated	10,465,653	1,134,002	-	11,599,655
Business-type activities capital assets, net	<u>\$ 10,473,339</u>	<u>\$ 1,134,002</u>	<u>\$ -</u>	<u>\$ 11,607,341</u>

**DEPRECIATION EXPENSE**

	Governmental Types	Business Types	Totals
General government	\$ 36,879	\$ -	\$ 36,879
Police	18,638	-	18,638
Fire	8,451	-	8,451
Ambulance	1,906	-	1,906
Public works	59,170	-	59,170
Class "C" roads	455,864	-	455,864
Parks	14,893	-	14,893
Internal service*	197,609	-	197,609
Solid waste	-	16,379	16,379
Water system	-	164,529	164,529
Sewer system	-	65,070	65,070
Storm water improvements	-	65,817	65,817
TOTAL	<u>\$ 793,410</u>	<u>\$ 311,795</u>	<u>\$ 1,105,205</u>

\* Depreciation expense on capital assets held by the internal service fund is charged to the various functions based on their usage of the assets.

**NOTE 4 - LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2005, was as follows:

Description	Interest Rate	Outstanding 06/30/2004	Additions	Payments	Outstanding 06/30/2005	Current Portion
<b>GOVERNMENTAL ACTIVITIES</b>						
General obligation bonds:						
Series 1995-City Hall	5.25-5.45%	\$ 55,000	\$ -	\$ 55,000	\$ -	\$ -
Series 2003-						
Refunding bonds	1.5-3.15%	830,000	-	61,000	769,000	122,000
Capital leases	5.35-5.86%	87,339	-	51,405	35,934	35,934
Total		<u>\$ 972,339</u>	<u>\$ -</u>	<u>\$ 167,405</u>	<u>\$ 804,934</u>	<u>\$ 157,934</u>

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 4 - LONG-TERM DEBT (CONTINUED)**

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. They are listed as capital leases.

General Obligation Bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities.

General Obligation Bonds Advance Refundings

On August 15, 2003, Clinton City issued \$879,000 of general obligation refunding bonds to provide resources that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$780,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$151,425 and resulted in an economic gain of \$80,895 based on the net present value benefit of the debt service savings.

The total General Obligation debt will be paid off by January 15, 2011, four years earlier than the original bond issue. The balance outstanding at June 30, 2005 was \$769,000.

Annual requirements to amortize the bond payable as of June 30, 2005, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2006	\$ 122,000	\$ 19,947	\$ 141,947
2007	121,000	17,568	138,568
2008	125,000	14,845	139,845
2009	129,000	11,783	140,783
2010	134,000	8,300	142,300
2011	138,000	4,347	142,347
	<u>\$ 769,000</u>	<u>\$ 76,790</u>	<u>\$ 845,790</u>

Internal Service Vehicle Fund - Lease-purchase Agreements

On May 17, 2001, Clinton City entered into a lease-purchase agreement for the purchase of a street sweeper. The terms of the agreement provide for five (5) annual payments of \$32,508 including interest. The balance of this contract at June 30, 2005, was \$30,857.

Annual requirement to amortize the lease-purchase agreement as of June 30, 2005, is as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2006	\$ 30,857	\$ 1,651	\$ 32,508

On September 13, 2000, Clinton City entered into a lease-purchase agreement for the purchase of three police vehicles. The terms of the agreement provide for sixty (60) monthly payments of \$1,284.96 including interest. The balance of this contract at June 30, 2005, was \$5,077.

Annual requirement to amortize the lease-purchase agreement as of June 30, 2005, is as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2006	\$ 5,077	\$ 62	\$ 5,139

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS**

Plan Description. Clinton City contributes to the Local Governmental Contributory Retirement System, the Local Governmental Noncontributory Retirement System, the Public Safety Retirement System and the Firefighters Retirement System for employers with Social Security coverage, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The systems issue a publicly available financial report that includes general-purpose financial statements and required supplementary information for the Local Governmental Contributory Retirement System, the Local Governmental Noncontributory Retirement System, the Public Safety Retirement System and the Firefighters Retirement System which are for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members are required to contribute a percentage of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 6.00% to the Contributory, 12.29% to the Public Safety Contributory and 8.61% to the Firefighters Retirement Systems respectively. Clinton City is required to contribute a percent of covered salary to the respective systems, 7.08% to the Contributory, 11.09% to the Noncontributory, 7.70% to the Public Safety Contributory and 19.08% to the non-contributory. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Clinton City's contributions to the various systems for the years ending June 30, 2005, 2004 and 2003 respectively were: for the Contributory System \$17,008, \$14,490, and \$12,808; for the Noncontributory System \$118,045, \$93,820, and \$79,192; for the Public Safety Contributory, \$73,240, \$60,415, and \$57,331; for Public Safety Noncontributory, \$26,137, \$9,182, and \$4,620; and for the Firefighters System, \$21,304, \$19,076, and \$13,924. The contributions were equal to the required contributions for each year.

Clinton City also participates in a defined contribution 401K plan for employees. The contributions were as follows:

	Employee	Employer
2005	\$ 37,277	\$ 106,922
2004	\$ 29,894	\$ 89,872
2003	\$ 28,850	\$ 82,572

**NOTE 6 - BUDGETED CHANGES IN FEDERAL FUND BALANCE**

In compliance with Section 10-6-110 of the Utah State Code, Clinton City has balanced their budget for the year ended June 30, 2005. The following provides a detail of the budgeted excess of expenditures over revenues in the general fund:

Budgeted decrease - unreserved fund balance	\$ 1,012,519
Budgeted decrease - class "C" road fund balance	239,657
Budgeted decrease - transportation fund balance	621,392
Budgeted decrease - park fund balance	380,000
	<u>\$ 2,253,568</u>

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 7 - DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Clinton City received a grant of \$1,119,652 from the Department of Housing and Urban Development during fiscal year 1986 for a low income housing development in Clinton City constructed by the Kier Corporation, a Utah Corporation. The entire sum received by Clinton City was loaned to the Kier Corporation as per a promissory note dated December 30, 1985.

As payments are received from the Kier Corporation, revenues and related expenditures will be reported in a Special Revenue Fund. All federal audits of the project for the Single Audit Requirements were and will continue to be conducted at The Kier Corporation, not Clinton City. No payments were received in the fiscal year ended June 30, 2005. Therefore there are no revenues or expenditures in this Special Revenue Fund in the current year.

**NOTE 8 - POST-EMPLOYMENT BENEFITS**

The only post-employment benefit offered by the City is health insurance for eighteen (18) months following termination. Employees covered and eligible are all employees who were covered by the insurance during employment. The participant is required to pay 100% of the premiums. The City is not required to contribute and therefore incurs no expense.

**NOTE 9 - RISK MANAGEMENT**

Clinton City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2005, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

**NOTE 10 - DEFERRED REVENUE**

Deferred revenues are resource inflows that do not yet meet the criteria for revenue recognition. The City follows GASB Statement No.33 which reports property taxes currently receivable to be used in the following fiscal year as deferred revenue.

**NOTE 11 - AMOUNT TO BE PROVIDED FOR COMPENSATED ABSENCES**

The accumulated unpaid vacation and compensatory time which would be paid if employees terminated employment June 30, 2005, and 2004, were \$164,404, and \$157,605 respectively.

**NOTE 12 - INTER-FUND TRANSFERS**

Transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2005, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 2,000	\$ 2,030,220
Cemetery	-	2,000
Capital projects	2,220,445	57,500
Enterprise funds	-	132,725
	<u>\$ 2,222,445</u>	<u>\$ 2,222,445</u>

CLINTON CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 13 - REDEVELOPMENT AGENCY**

The Redevelopment Agency (RDA) collected tax increments of \$25,425 for the downtown area. There were no tax increments paid to any other taxing agency. The outstanding principal amount of debt issued for this project at June 30, 2005 was \$-0-.

The RDA expended funds in the following areas:

Downtown Beautification Costs	<u>\$ 15,257</u>
-------------------------------	------------------

**NOTE 14 - PRIOR PERIOD ADJUSTMENT**

The Storm Water Fund beginning fund balances were restated as a result of a prior period adjustment. The adjustment was made to correct an over-valuation of storm water infrastructure which was recorded during the year ended June 30, 2004.

Fund balance at June 30, 2004 as previously reported	\$ 5,825,455
Prior period adjustment to correct over-valuation	<u>(2,712,265)</u>
Beginning fund balance as restated	<u>\$ 3,113,190</u>

**NOTE 15 - CONTINGENT LIABILITIES**

Amount received or receivables from grantor agencies are subject to audit and adjustment by those grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**NOTE 16 - PROPERTY TAX CALENDAR**

Lien date	Jan. 1
Taxing entity notifies the county of date, time, and place of public hearing	Mar. 1
Budget officer of the entity prepares and files with the City Council a tentative budget for the next fiscal year	1st scheduled council meeting in May
County auditor sends valuation certified tax rate and levy worksheets to each taxing entity	Jun. 8
Taxing entity must adopt a proposed tax rate, certify the rate and levy, and submit to the county auditor	Before Jun. 22
Taxing entity adopts a final tax rate if there is no increase in certified tax rate	Jun. 22
Taxing entity adopts final budget if there is no increase in certified tax rate	Jun. 22
Copy of the budget is submitted to state auditor within 30 days of adoption	
Payment and delinquency date	Nov. 30

CLINTON CITY  
REQUIRED SUPPLEMENTAL  
INFORMATION

JUNE 30, 2005

CLINTON CITY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Taxes:				
Property taxes	\$ 905,876	\$ 905,876	\$ 938,799	\$ 32,923
Sales taxes	1,462,330	1,462,330	1,653,703	191,373
Utility franchise taxes	576,980	576,980	741,665	164,685
Fees-in-lieu of taxes	162,240	162,240	179,721	17,481
Licenses and permits	572,883	681,883	903,243	221,360
Intergovernmental revenue	752,423	865,352	923,307	57,955
Charges for services	970,970	979,954	855,536	(124,418)
Fines and forfeitures	292,800	292,800	259,275	(33,525)
Miscellaneous revenue	105,480	112,850	128,210	15,360
Special revenues	654,180	657,630	1,047,590	389,960
TOTAL REVENUES	6,456,162	6,697,895	7,631,049	933,154
EXPENDITURES				
General government:				
Legislative	74,440	74,440	73,548	892
City manager	165,270	174,270	163,366	10,904
Judicial	174,450	174,450	157,278	17,172
Professional and technical	154,929	171,009	158,378	12,631
City treasurer	309,932	309,932	304,758	5,174
Buildings	70,650	77,350	55,883	21,467
Community development	374,205	400,105	368,369	31,736
Total general government	1,323,876	1,381,556	1,281,580	99,976
Public safety:				
Law enforcement	1,400,073	1,468,623	1,463,770	4,853
Crossing guards	30,090	33,600	33,051	549
Fire protection	530,207	592,490	562,506	29,984
Ambulance services	133,763	146,163	142,367	3,796
DUI - enforcement	8,500	8,500	5,981	2,519
Total public safety	2,102,633	2,249,376	2,207,675	41,701
Highways and streets:				
Public works	225,639	258,459	247,243	11,216
Class "C" roads	790,113	843,970	696,085	147,885
Capital outlay	632,120	770,512	276,072	494,440
Total highways and streets	1,647,872	1,872,941	1,219,400	653,541

The accompanying notes are an integral part of these statements.

CLINTON CITY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -  
BUDGET AND ACTUAL (CONTINUED)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Parks and recreation:				
Parks	\$ 335,994	\$ 353,194	\$ 333,118	\$ 20,076
Recreation	287,048	307,548	277,147	30,401
Recreation programs	485,900	500,400	485,481	14,919
Clinton Fun Days	40,800	47,465	47,043	422
Total parks and recreation	<u>1,149,742</u>	<u>1,208,607</u>	<u>1,142,789</u>	<u>65,818</u>
Cemeteries	<u>57,243</u>	<u>59,543</u>	<u>45,639</u>	<u>13,904</u>
Debt service:				
Principal	126,508	126,508	116,000	10,508
Interest and fees	24,212	24,712	24,711	1
Total debt service	<u>150,720</u>	<u>151,220</u>	<u>140,711</u>	<u>10,509</u>
TOTAL EXPENDITURES	<u>6,432,086</u>	<u>6,923,243</u>	<u>6,037,794</u>	<u>885,449</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>24,076</u>	<u>(225,348)</u>	<u>1,593,255</u>	<u>1,818,603</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	2,000	2,000	2,000	-
Operating transfers out	<u>(1,147,220)</u>	<u>(2,030,220)</u>	<u>(2,030,220)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,145,220)</u>	<u>(2,028,220)</u>	<u>(2,028,220)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(1,121,144)</u>	<u>(2,253,568)</u>	<u>(434,965)</u>	<u>1,818,603</u>
Fund balance - July 1	<u>3,066,021</u>	<u>3,066,021</u>	<u>3,066,021</u>	<u>-</u>
Fund balance - June 30	<u>\$ 1,944,877</u>	<u>\$ 812,453</u>	<u>\$ 2,631,056</u>	<u>\$ 1,818,603</u>

The accompanying notes are an integral part of these statements.

CLINTON CITY  
SUPPLEMENTARY INFORMATION -  
COMBINING STATEMENTS

JUNE 30, 2005

CLINTON CITY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2005

	Capital Projects			
	Park Construction	CDBG Grant	Roadway Project	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 70,423	\$ 203,372	\$ 273,795
Restricted cash	495,889	-	-	495,889
Total assets	<u>\$ 495,889</u>	<u>\$ 70,423</u>	<u>\$ 203,372</u>	<u>\$ 769,684</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Retainage payable	\$ -	\$ 27,211	\$ -	\$ 27,211
Fund balances				
Reserved for park impact fees	495,889	-	-	495,889
Reserved for perpetual care	-	-	-	-
Unreserved	-	43,212	203,372	246,584
Total liabilities and fund balances	<u>\$ 495,889</u>	<u>\$ 70,423</u>	<u>\$ 203,372</u>	<u>\$ 769,684</u>

Special Revenue <u>Redevelopment Agency</u>	Permanent Fund <u>Perpetual Care</u>	Total Nonmajor Governmental Funds
\$ 116,019	\$ -	\$ 389,814
-	194,472	690,361
<u>\$ 116,019</u>	<u>\$ 194,472</u>	<u>\$ 1,080,175</u>
\$ -	\$ -	\$ 27,211
-	-	495,889
-	194,472	194,472
116,019	-	362,603
<u>\$ 116,019</u>	<u>\$ 194,472</u>	<u>\$ 1,080,175</u>

## CLINTON CITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

	Capital Projects			
	Park Construction	CDBG Grant	Roadway Project	Total
<b>REVENUES</b>				
Perpetual care fees	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-
Property taxes	-	-	-	-
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Capital outlay:				
Capital projects	273,331	559,518	96,628	929,477
Total expenditures	273,331	559,518	96,628	929,477
Excess (deficiency) of revenues over (under) expenditures	(273,331)	(559,518)	(96,628)	(929,477)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(57,500)	-	-	(57,500)
Transfers in	826,720	510,725	50,000	1,387,445
Total other financing sources (uses)	769,220	510,725	50,000	1,329,945
Net change in fund balances	495,889	(48,793)	(46,628)	400,468
Fund balance - beginning of year	-	92,005	250,000	342,005
Fund balance - end of year	\$ 495,889	\$ 43,212	\$ 203,372	\$ 742,473

Special Revenue Redevelopment Agency	Permanent Fund Perpetual Care	Total Nonmajor Governmental Funds
\$ -	\$ 14,028	\$ 14,028
3,271	13,997	17,268
25,425	-	25,425
28,696	28,025	56,721
15,257	-	944,734
15,257	-	944,734
13,439	28,025	(888,013)
-	(2,000)	(59,500)
-	-	1,387,445
-	(2,000)	1,327,945
13,439	26,025	439,932
102,580	168,447	613,032
\$ 116,019	\$ 194,472	\$ 1,052,964

CLINTON CITY  
AUDITOR'S REPORTS AND  
AUDITOR'S MANAGEMENT LETTER  
JUNE 30, 2005

# ***Davis, Chase & Associates, P.C.***

*Certified Public Accountants*

*Steven J. Davis, CPA, CFP®, PFS*

*Tarina Chase, CPA*

*Ann Singleton, CPA*

## **INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE**

To the Honorable Mayor and City Council  
Clinton City  
Clinton, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clinton City, Utah, for the year ended June 30, 2005, and have issued our report thereon dated January 20, 2006. As part of our audit, we have audited Clinton City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

"C" Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Clinton City's financial statements).

State Homeland Security Grant Program  
State EMS Grant (Department of Natural Resources)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Public Debt	Truth in Taxation and Property Tax Limitations
Cash Management	Liquor Law Enforcement
Purchasing Requirements	Uniform Building Code Standards
Budgetary Compliance	Impact Fees
"B" & "C" Road Funds	Justice Courts
Other Compliance Issues	

The management of Clinton City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE  
PAGE 2

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings and questioned costs. We considered these instances of noncompliance in forming an opinion on compliance, which is expressed in the following paragraph.

In our opinion, Clinton City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

*Davis, Chase & Associates*

January 20, 2006

CLINTON CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-STATE LEGAL COMPLIANCE  
YEAR ENDED JUNE 30, 2005

1. TREASURER'S BOND

The City's current coverage does not provide for the City Treasurer in the proper amount as provided in the Utah Code Section 51-7-15. Every public treasurer shall be bonded in the amount provided in a table required by the Utah Code.

We recommend a fidelity bond on the City's treasurer be obtained in the proper amount.

**Management Response**

The City will increase the treasurer's bond to the proper amount based on budgeted gross revenue.

2. EXCESS FUND BALANCE

The fund balance in the General Fund is in excess of the limitations set by state law. Section 10-6-116(2) of the Utah Code Annotated, 1953, as amended, set forth the amount of the fund balance that may be accumulated in the General Fund as follows: The accumulation of a fund balance in the General Fund shall not exceed 18% of the total estimated revenue of the General Fund.

We recommend the excess over the maximum allowed be recognized and included in the budget in the coming year.

**Management Response**

The City is aware of the excess and will include it in their budgeting process.

# ***Davis, Chase & Associates, P.C.***

*Certified Public Accountants*

*Steven J. Davis, CPA, CFP®, PFS*

*Tarina Chase, CPA*

*Ann Singleton, CPA*

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and City Council  
Clinton City  
Clinton, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clinton City, Utah, as of and for the year ended June 30, 2005, and have issued our report thereon dated January 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether Clinton City, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Clinton City, Utah, in a separate letter dated January 20, 2006.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Clinton City, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE

Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over the financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to the management of Clinton City, Utah, in a separate letter dated January 20, 2006.

This report is intended for the information of the audit committee, legislative body, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Davis, Chase & Associates*

January 20, 2006

# ***Davis, Chase & Associates, P.C.***

***Certified Public Accountants***

*Steven J. Davis, CPA, CFP®, PFS*

*Tarina Chase, CPA*

*Ann Singleton, CPA*

To the Honorable Mayor and City Council  
Clinton City  
Clinton, Utah

We have recently completed our audit examination for the year ended June 30, 2005. The size of your operation prevents a complete separation of duties. Therefore, we recommend management and the City Council take an active part in reviewing transactions and in authorizing any adjustments to the accounting records. During the course of our audit, we observed a few items we feel require your consideration. They are as follows:

1. **TREASURER'S BOND**

The City's current coverage does not provide for the City Treasurer in the proper amount as provided in the Utah Code Section 51-7-15. Every public treasurer shall be bonded in the amount provided in a table required by the Utah Code.

We recommend a fidelity bond on the City's treasurer be obtained in the proper amount.

**Management Response**

The City will increase the treasurer's bond to the proper amount based on budgeted gross revenue.

2. **EXCESS FUND BALANCE**

The fund balance in the General Fund is in excess of the limitations set by state law. Section 10-6-116(2) of the Utah Code Annotated, 1953, as amended, set forth the amount of the fund balance that may be accumulated in the General Fund as follows: The accumulation of a fund balance in the General Fund shall not exceed 18% of the total estimated revenue of the General Fund.

We recommend the excess over the maximum allowed be recognized and included in the budget in the coming year.

**Management Response**

The City is aware of the excess and will include it in their budgeting process.

Page 2

We appreciate the cooperation and assistance we have received from City personnel during the audit.

*Davis, Chase & Associates*

January 20, 2006

CLINTON CITY  
STATUS OF FISCAL YEAR 2004 FINDINGS  
AND RECOMMENDATIONS  
YEAR ENDED JUNE 30, 2005

1. ACCUMULATION OF FUND BALANCE

The fund balance in the General Fund is in excess of the limitations set by state law. Section 10-6-116(2) of the Utah Code Annotated, 1953, as amended, set forth the amount of the fund balance that may be accumulated in the General Fund as follows: The accumulation of a fund balance in the General Fund shall not exceed 18% of the total estimated revenue of the General Fund.

We recommend the excess over the maximum allowed be recognized and included in the budget in the coming year.

**Management Response**

The City is aware of the excess and will include it in their budgeting process.

Status: Partially implemented